

CATERPILLAR INC
Form 10-Q
July 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-768

CATERPILLAR INC.

(Exact name of registrant as specified in its charter)

Delaware

37-0602744

(State or other jurisdiction of incorporation)

(IRS Employer I.D. No.)

100 NE Adams Street, Peoria, Illinois

61629

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(309) 675-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At June 30, 2010, 630,472,409 shares of common stock of the registrant were outstanding.

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* Item omitted because no answer is called for or item is not applicable.

Table of Contents**Part I. FINANCIAL INFORMATION***Item 1. Financial Statements***Caterpillar Inc.****Consolidated Statement of Results of Operations****(Unaudited)****(Dollars in millions except per share data)**

	Three Months Ended June 30,	
	2010	2009
Sales and revenues:		
Sales of Machinery and Engines	\$9,723	\$7,254
Revenues of Financial Products	686	721
Total sales and revenues	10,409	7,975
Operating costs:		
Cost of goods sold	7,372	5,752
Selling, general and administrative expenses	1,059	914
Research and development expenses	450	351
Interest expense of Financial Products	234	272
Other operating (income) expenses	317	339
Total operating costs	9,432	7,628
Operating profit (loss)	977	347
Interest expense excluding Financial Products	81	109
Other income (expense)	50	163
Consolidated profit (loss) before taxes	946	401
Provision (benefit) for income taxes	209	40
Profit (loss) of consolidated companies	737	361
Equity in profit (loss) of unconsolidated affiliated companies	(4)	(1)
Profit (loss) of consolidated and affiliated companies	733	360
Less: Profit (loss) attributable to noncontrolling interests	26	(11)
Profit (loss) 1	\$707	\$371
Profit (loss) per common share	\$1.12	\$0.61

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Profit (loss) per common share - diluted¹	\$1.09	\$0.60
Weighted-average common shares outstanding (millions)		
- Basic	629.8	611.8
- Diluted ²	647.0	619.8
Cash dividends declared per common share	\$0.86	\$0.84

1 Profit (loss) attributable to common stockholders.

2 Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

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Caterpillar Inc.

Consolidated Statement of Results of Operations

(Unaudited)

(Dollars in millions except per share data)

	Six Months Ended June 30,	
	2010	2009
Sales and revenues:		
Sales of Machinery and Engines	\$17,274	\$15,764
Revenues of Financial Products	1,373	1,436
Total sales and revenues	18,647	17,200
Operating costs:		
Cost of goods sold	13,266	12,779
Selling, general and administrative expenses	1,991	1,796
Research and development expenses	852	739
Interest expense of Financial Products	467	551
Other operating (income) expenses	586	1,163
Total operating costs	17,162	17,028
Operating profit (loss)	1,485	172
Interest expense excluding Financial Products	183	210
Other income (expense)	113	227
Consolidated profit (loss) before taxes	1,415	189
Provision (benefit) for income taxes	440	(40)
Profit (loss) of consolidated companies	975	229
Equity in profit (loss) of unconsolidated affiliated companies	(6)	
Profit (loss) of consolidated and affiliated companies	969	229
Less: Profit (loss) attributable to noncontrolling interests	29	(30)
Profit (loss) 1	\$940	\$259
Profit (loss) per common share	\$1.50	\$0.43
Profit (loss) per common share diluted²	\$1.46	\$0.42
Weighted-average common shares outstanding (millions)		
- Basic	628.1	607.6
- Diluted ²	645.2	614.0
Cash dividends declared per common share	\$0.86	\$0.84

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- 1 Profit (loss) attributable to common stockholders.
- 2 Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

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Caterpillar Inc.

Consolidated Statement of Financial Position

(Unaudited)

(Dollars in millions)

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and short-term investments	\$3,597	\$4,867
Receivables—trade and other	6,348	5,611
Receivables—finance	8,086	8,301
Deferred and refundable income taxes	1,041	1,216
Prepaid expenses and other current assets	965	862
Inventories	7,339	6,360
Total current assets	27,376	27,217
Property, plant and equipment—net	11,763	12,386
Long-term receivables—trade and other	1,150	971
Long-term receivables—finance	11,585	12,279
Investments in unconsolidated affiliated companies	154	105
Noncurrent deferred and refundable income taxes	2,464	2,714
Intangible assets	485	465
Goodwill	2,292	2,269
Other assets	1,524	1,632
Total assets	\$58,793	\$60,038
Liabilities		
Current liabilities:		
Short-term borrowings:		
Machinery and Engines	\$217	\$433
Financial Products	3,430	3,650
Accounts payable	3,975	2,993
Accrued expenses	3,083	3,351
Accrued wages, salaries and employee benefits	1,182	797
Customer advances	1,404	1,217
Dividends payable	277	262
Other current liabilities	936	888
Long-term debt due within one year:		
Machinery and Engines	434	302
Financial Products	4,846	5,399
Total current liabilities	19,784	19,292
Long-term debt due after one year:		
Machinery and Engines	4,828	5,652
Financial Products	15,398	16,195
Liability for postemployment benefits	6,977	7,420
Other liabilities	2,102	2,179
Total liabilities	49,089	50,738
Commitments and contingencies (Notes 10 and 12)		
Redeemable noncontrolling interest	432	477
Stockholders' equity		
Common stock of \$1.00 par value:		
Authorized shares: 900,000,000		
Issued shares: (6/30/10 and 12/31/09 814,894,624) at paid-in amount	3,636	3,439

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Treasury stock (6/30/10 184,422,215 shares; 12/31/09 190,171,905 shares) at cost	(10,539)	(10,646)
Profit employed in the business	20,133	19,711
Accumulated other comprehensive income (loss)	(4,045)	(3,764)
Noncontrolling interests	87	83
Total stockholders equity	9,272	8,823
Total liabilities, redeemable noncontrolling interest and stockholders equity	\$58,793	\$60,038

See accompanying notes to Consolidated Financial Statements.

Table of Contents**Caterpillar Inc.****Consolidated Statement of Changes in Stockholders Equity****(Unaudited)****(Dollars in millions)**

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total	Comprehensive income (loss)
Six Months Ended June 30, 2009							
Balance at December 31, 2008	\$3,057	\$(11,217)	\$19,826	\$(5,579)	\$103	\$6,190	
Profit (loss) of consolidated and affiliated companies			259		(30)	229	\$229
Foreign currency translation, net of tax of \$16				166	1	167	167
Pension and other postretirement benefits							
Current year actuarial gain (loss), net of tax of \$801				55		55	55
Amortization of actuarial (gain) loss, net of tax of \$54				95	2	97	97
Current year prior service cost, net of tax of \$1971				236		236	236
Amortization of prior service cost, net of tax of \$1				2		2	2
Amortization of transition (asset) obligation, net of tax of \$0				1		1	1
Derivative financial instruments							
Gains (losses) deferred, net of tax of \$57				92		92	92
(Gains) losses reclassified to earnings, net of tax of \$12				(15)		(15)	(15)
Retained interests							
Gains (losses) deferred, net of tax of \$122				(22)		(22)	(22)
(Gains) losses reclassified to earnings, net of tax of \$10				18		18	18
Available-for-sale securities							
Gains (losses) deferred, net of tax of \$14				26		26	26
(Gains) losses reclassified to earnings, net of tax of \$10				19		19	19
Change in ownership for noncontrolling interest					(6)	(6)	
Dividends declared			(513)			(513)	
Common shares issued from treasury stock for stock-based compensation: 1,286,806	(6)	37				31	
Common shares issued from treasury stock for benefit plans: 18,480,0953	224	435				659	
Stock-based compensation expense	74					74	
Excess tax benefits from stock-based compensation	(2)					(2)	
Cat Japan share redemption ⁴			7		30	37	
Balance at June 30, 2009	\$3,347	\$(10,745)	\$19,579	\$(4,906)	\$100	\$7,375	\$905
Six Months Ended June 30, 2010							
Balance at December 31, 2009	\$3,439	\$(10,646)	\$19,711	\$(3,764)	\$83	\$8,823	
Adjustment to adopt consolidation of variable interest entities ⁵			(6)	3		(3)	
Balance at January 1, 2010	\$3,439	\$(10,646)	\$19,705	\$(3,761)	\$83	\$8,820	
Profit (loss) of consolidated and affiliated companies			940		29	969	\$969
Foreign currency translation, net of tax of \$153				(428)	(7)	(435)	(435)
Pension and other postretirement benefits							
Amortization of actuarial (gain) loss, net of tax of \$91				152	6	158	158
Amortization of prior service cost, net of tax of \$6				(7)		(7)	(7)
Amortization of transition (asset) obligation, net of tax of \$0				1		1	1
Derivative financial instruments							

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Gains (losses) deferred, net of tax of \$29			(50)	(50)	(50)
(Gains) losses reclassified to earnings, net of tax of \$19			33	33	33
Available-for-sale securities					
Gains (losses) deferred, net of tax of \$11			15	15	15
Change in ownership from noncontrolling interests	(17)			(12)	(29)
Dividends declared		(542)		(542)	
Common shares issued from treasury stock for stock-based compensation: 4,716,874	(2)	86		84	
Common shares issued from treasury stock for benefit plans: 1,032,8163	41	21		62	
Stock-based compensation expense	138			138	
Excess tax benefits from stock-based compensation	37			37	